

Message Text

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PAGE 01 BOGOTA 02444 01 OF 02 222229Z

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ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 EB-11 AID-20 COME-00 STR-08 SS-20

FEA-02 PRS-01 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01

NSC-07 /098 W

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P 222118Z MAR 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 1878

LIMITED OFFICIAL USE SECTION 1 OF 2 BOGOTA 2444

PASS TREASURY FOR JOHN HENNESSY

EO 11652: NA

TAGS: OVIP XM ETRD CO

SUBJ: TREASURY SECRETARY SHULTZ'S REQUEST FOR LOCAL REACTIONS

COUNTERVAILING DUTIES

REFS: A. STATE 051942; B. BOGOTA 2393; C. BOGOTA 2353; D. BOGOTA 2300; E. BOGOTA 2263; F. BOGOTA 2245; G. BOGOTA 2180; H. BOGOTA 2158 I. BOGOTA 2132; J. BOGOTA 2048; K. BOGOTA 2046; L. BOGOTA 1978; M. BOGOTA 1860; N. BOGOTA A-50

1. BEGIN SUMMARY: REF A REQUESTS A ROUND UP OF REACTIONS OF PRESS AND LOCAL OFFICIALS IN CONNECTION WITH SEC SHULTZ'S TRIP TO ANNUAL MEETING OF IDB BOARD OF GOVERNORS IN SANTIAGO. REFS B THROUGH N PROVIDE DETAILED REPORTS AND OUR ANALYSIS OF THE RELEVANT DEVELOPMENTS AS THEY HAVE EVOLVED THUS FAR. THE PURPOSE OF THIS MESSAGE IS TO SUMMARIZE THE MORE SIGNIFICANT DEVELOPMENTS AS WELL AS THE MAJOR ISSUES AND POSITIONS THE GOC IS LIKELY TO DEVELOP IN SANTIAGO. THIS CABLE ALSO TRANSMITS AMBASSADOR'S RECOMMENDATIONS ON HOW BEST TO DEFUSE THE ISSUE OF ADDITIONAL FLEXIBILITY ON GOC LOCAL CURRENCY CONTRIBUTIONS ON USAID LOANS WHICH THE FINANCE MIN IS LIKELY TO RAISE WITH SECRETARY SHULTZ. END SUMMARY.

2. INFORMAL IDB SESSION TO DISCUSS MONETARY AND TRADE ISSUES:
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PAGE 02 BOGOTA 02444 01 OF 02 222229Z

THE FINANCE MIN HAS REACTED FAVORABLY TO SEC SHULTZ'S PROPOSAL

TO INFORMALLY MEET WITH THE OTHER IDB GOVERNORS TO DISCUSS BROAD MONETARY AND TRADE ISSUES IN SANTIAGO. HOWEVER, IT IS CLEAR THE COLOMBIAN DEL, AND PARTICULARLY THE FINANCE MIN, WILL BE MORE CONCERNED ABOUT DISCUSSING WITH SECRETARY SHULTZ THE COUNTER-VAILING DUTY INVESTIGATION RECENTLY INITIATED ON COLOMBIAN CUT FLOWER EXPORTS TO THE US.

3. MONETARY REFORM: COLOMBIA'S POSITION ON MONETARY REFORM IS PROBABLY CLOSER TO OUR OWN THAN MOST LATIN COUNTRIES. THE GOC FAVORS MOVING AHEAD WITH TRADE AND MONETARY REFORM SIMULTANEOUSLY. FINANCE MINISTRY OFFICIALS RECOGNIZE THE NEED FOR SYMMETRY IN THE REFORM MECHANISM. WHILE FAVORING RESOURCE TRANSFERS WITHIN THE CONTEXT OF MONETARY REFORM THE GOC REMAINS COOL ON THE AID/SDR LINK. THE GOC APPEARS TO BE FAVORING A MORE ACTIVE ROLE IN MONETARY REFORM AND RESOURCES TRANSFERS BY THE WEALTHY OIL EXPORTING STATES.

4. TRADE: THE GOC BELIEVES THAT THE TERMS OF TRADE OPERATE IN FAVOR OF THE US AND LEAVE LA WITH A TRADE DEFICIT THEREBY ADDING TO THE GROWING INDEBTEDNESS OF THE NATIONS OF THIS REGION. THE ORGANIZATION OF INTERNATIONAL TRADE REQUIRES CHANGES TO MAKE IT MORE RESPONSE TO THE NEEDS OF THE LDCS IN GENERAL AND PARTICULARLY THOSE OF LA WHICH, UNLIKE THE AFRICAN NATIONS, ARE NOT TIED TO A LARGE PREFERENTIAL MARKET. THEREFORE THE COLOMBIANS WOULD PREFER THAT MULTILATERAL TRADE NEGOTIATIONS CONCENTRATE ON EXPANDING WORLD TRADE WITH SPECIAL ATTENTION TO THE DEVELOPING NATIONS. IN THIS CONTEXT PRIOR CONSULTATION BETWEEN US AND LA IS PARTICULARLY IMPORTANT.

5. ENERGY PROPOSALS: THE FINANCE MINISTER HAS CONFIRMED THAT IN HIS FORMAL PRESENTATION AT THE IDB MEETING HE WILL STRESS, AMONG OTHER THEMES YET TO BE DEVELOPED, THE CHANGE IN PROSPECTS FOR MONETARY REFORM BROUGHT ABOUT BY THE ENERGY CRISIS AND THE NEED TO REDIRECT NEW FOUND FINANCIAL RESOURCES IN THE HEMISPHERE TOWARD THE LESS FORTUNATE COUNTRIES IN THE REGION PERHAPS THROUGH THE MULTILATERAL INSTITUTIONS SUCH AS THE IDB. GIVEN THE EXPECTED SUSPENSION OF CRUDE PETROLEUM EXPORTS FROM COLOMBIA IN THE NOT TOO DISTANT FUTURE THE GOC IS LIKELY TO VIEW ITS OWN SELF-INTERESTS MORE CLOSELY RELATED TO PETROLEUM IMPORTING STATES THAN NET EXPORTING ONES.

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PAGE 03 BOGOTA 02444 01 OF 02 222229Z

6. FACT FINDING MECHANISM TO SETTLE INVESTMENT DISPUTES: ACCORDING TO FOREIGN OFFICE'S ECONOMIC SUB-SECRETARY, THE FACT FINDING PROCEDURES COULD NOT PROSPER BECAUSE ECUADOR, MEXICO, PERU, AND VENEZUELA ALL ARE STRONGLY OPPOSED. THE ECONOMIC SUB-SECRETARY SAID THAT COLOMBIA COULD PROBABLY ACCEPT SUCH A PROCEDURE ONLY PROVIDED IT WAS VOLUNTARY AND THE RESULTS WERE NOT BINDING. IT IS NOT CLEAR AT THIS TIME WHETHER THIS REFLECTS

THE OFFICIAL OVERALL GOC VIEW OR WILL BE THE POSITION ADOPTED
BY THE COLOMBIAN DEL TO THE IDB MEETING.

7. IDB ISSUES: DEVELOPMENT OF THE GOC POSITIONS FOR THE IDB
MEETING IN SANTIAGO HAVE BEGUN ONLY RECENTLY. THEY HAVE NOT
AS YET BEGUN TO FOCUS ON ISSUES RELATED DIRECTLY TO IDB. THE
GOC IS WAITING FOR RECOMMENDATIONS FROM THEIR IDB STAFF BEFORE
PREPARING POSITIONS ON SUCH ISSUES AS MEMBERSHIP OF STATES
OUTSIDE THE REGION.

8. BILATERAL ISSUES GOC LIKELY TO RAISE WITH SECRETARY SHULTZ:
THE FINANCE MIN INFORMED EMB OFFICERS THAT HE WISHED TO DISCUSS
TWO ISSUES DIRECTLY WITH SEC SHULTZ AT THE IDB MEETING. THE
FIRST AND MOST IMPORTANT POINT THE FINANCE MIN WILL MAKE IS THAT
THE US DECISION TO INSTITUTE COUNTERVAILING DUTY PROCEEDINGS
ON CUT FLOWER EXPORTS, ESPECIALLY WITHOUT SUFFICIENT ADVANCED
NOTICE OR CONSULTATIONS, HAS CREATED PROBLEMS FOR THE GOC. THE
MINISTER POINTED OUT THAT OUR COUNTERVAILING NOTICE WAS INCON-
SISTENT WITH: (A) HELP BEING OFFERED BY AID TO ENCOURAGE THE

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PAGE 01 BOGOTA 02444 02 OF 02 222238Z

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ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 EB-11 AID-20 COME-00 STR-08 SS-20

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P 222118Z MAR 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 1879

LIMITED OFFICIAL USE SECTION 2 OF 2 BOGOTA 2444

ECONOMIC DEVELOPMENT OF COLOMBIA; (B) USG PREFERENCE THAT COUNT-
RIES EARN FOREIGN EXCHANGE THROUGH TRADE AND NOT AID, AND MOST
IMPORTANT; (C) THE SPIRIT OF SECRETARY KISSINGER'S STATEMENT IN
MEXICO. GOC OFFICIAL REACTION HAS BEEN THAT IF COUNTERVAILING
DUTIES ARE APPLIED TO FLOWERS IT COULD ESTABLISH A DANGEROUS
PRECEDENT WHICH MIGHT SUBSTANTIALLY ADVERSELY AFFECT THE VALUE

OF OTHER EXPORTS WHICH ALSO PRESENTLY BENEFIT FROM CATS. FROM A POLITICAL POINT OF VIEW THE TIMING OF THE COUNTERVAILING PROCEEDINGS ANNOUNCEMENT, ACCORDING TO GOC OFFICIALS, COULD NOT HAVE BEEN WORSE. WITH PRESIDENTIAL ELECTIONS ONLY A MONTH AWAY IT WILL BE DIFFICULT FOR THIS ADMINISTRATION TO TAKE ACTION FOR FEAR OF PROVIDING A MAJOR POLITICAL ISSUE ON THE EVE OF THE ELECTIONS. IN ANY EVENT THERE IS REASON TO BELIEVE THAT IT WOULD BE ILLEGAL TO CHANGE THE CAT SYSTEM ADMINISTRATIVELY BEFORE JAN OF NEXT YEAR EXCEPT BY SPECIAL LEGISLATION. A TECHNICAL GROUP FROM THE FINANCE MINISTRY AND THE FLOWER GROWERS ASSOC IS SCHEDULED TO ARRIVE IN WASHINGTON THE WEEK OF 1 APRIL TO INITIATE DISCUSSIONS WITH TREASURY. WE EXPECT WRITTEN CONFIRMATION OF THIS FROM THE FOREIGN OFFICE TODAY IN RESPONSE TO OUR DIPLOMATIC NOTE PROPOSING SUCH DISCUSSIONS. AT THIS TIME IT IS NOT CLEAR WHETHER THE TECHNICAL GROUP WILL BE PREPARED TO DISCUSS ALTERNATIVES TO CAT OR TRY TO ARGUE THAT CAT SHOULD NOT BE CONSIDERED A BOUNTY OR GRANT UNDER US LAW. THE FINANCE MINISTER ALSO PLANS TO RAISE WITH SECRETARY SHULTZ THE ISSUE OF ADDITIONAL FLEXIBILITY ON GOC LOCAL CURRENCY CONTRIBUTIONS UNDER EXISTING USAID LIMITED OFFICIAL USE

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PAGE 02 BOGOTA 02444 02 OF 02 222238Z

SECTOR LOANS. THIS IS A FAVORITE TOPIC OF THE FINANCE MIN. THE MIN CLAIMS THAT PRESENT ARRANGEMENTS WHEREBY THE GOC IS FORCED TO MAKE SUBSTANTIAL LOCAL CURRENCY CONTRIBUTIONS TO TAKE ADVANTAGE OF FAVORABLE AID LOAN TERMS IS INFLATIONARY. WHAT THE MIN REALLY WANTS IS A MORE FAVORABLE RATIO WHEREBY THE GOC IS REQUIRED TO PUT UP LESS PESOS OF ITS OWN RESOURCES TO RECEIVE A DOLLAR IN AID LOANS.

9. ACTION RECOMMENDATION: AMBASSADOR RECOMMENDS THAT BEST WAY TO HANDLE THIS ISSUE IS TO HAVE SEC SHULTZ POINT OUT TO MINISTER IN GENERAL TERMS THAT SUFFICIENT FLEXIBILITY ALREADY EXISTS, WHERE JUSTIFIABLE, TO CHANGE RATIO OF LOCAL CURRENCY COUNTERPART MORE IN THE GOC'S FAVOR, THAT BASIC PROBLEM MAY NOT REALLY EXIST, AND TO REFER MIN BACK TO MISSION IN COLOMBIA FOR FURTHER DISCUSSIONS. FINATT WILL HAVE FULL INFO WITH WHICH TO BRIEF SECRETARY IN CARACAS OR SANTIAGO ON BOTH THE COUNTERVAILING ISSUE AND THIS BILATERAL PROBLEM. AMBASSADOR ALSO RECOMMENDS THAT FINATT BE AUTHORIZED TO TRAVEL TO SANTIAGO FOR IDB MEETING IN LIGHT OF IMPORTANT BILATERAL ISSUES GOC LIKELY TO RAISE WITH TREASURY AT THAT TIME.

10. LOCAL PRESS REACTION TO COUNTERVAILING DUTY PROCEEDINGS: PRESS REACTION HAS OF COURSE BEEN NEGATIVE BUT SO FAR FAIRLY RESTRAINED ALTHOUGH PRESS COMMENT IS INCREASING. IN ADDITION TO QUOTES CRITICIZING US ACTION, NONE OF THEM VERY SIGNIFICANT, STORIES HAVE REPORTED VARIOUS POSSIBLE ALTERNATIVES TO CAT SYSTEM SUPPOSEDLY UNDER STUDY WITHIN GOC. AGREEMENT THAT EXPORT TAX REBATES SHOULD BE GREATLY REDUCED IN SCOPE HAS OUTWEIGHED PROPHECIES OF DOOM FOR FLOWER INDUSTRY. MOST SERIOUS COMPLAINTS

HAVE BEEN THAT COUNTERVAILING DUTY PROCEEDING CONTRADICTS SPIRIT OF TLATELOLCO, AND ACTION AGAINST FLOWERS THREATENS SIMILAR ACTION AGAINST MOST OTHER COLOMBIAN EXPORTS TO US.

11. SECRETARY'S ANNOUNCED RESIGNATION: LOCAL PRESS PICKED UP AP DISPATCH ANNOUNCING THE RESIGNATION OF SECRETARY SHULTZ TO BECOME EFFECTIVE IN MAY. THE ARTICLE POINTED OUT THAT THE SECRETARY STILL PLANS TO ATTEND IDB AND ADB ANNUAL MEETINGS. ONE DAILY OFFERED THE VIEW THAT THE SECRETARY RESIGNED BECAUSE HE HAS BECOME TIRED AND NOT AS A RESULT OF ANY DISAGREEMENT WITH THE PRESIDENT OR HIS POLICIES.

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PAGE 03 BOGOTA 02444 02 OF 02 222238Z

12. LOCAL PRESS REACTION TO IDB MEETING: THUS FAR, EXCEPT FOR PASSING REFERENCE TO THE AP DISPATCH ANNOUNCING SEC SHULTZ'S RESIGNATION, THE MAJOR LOCAL PAPERS HAVE NOT CARRIED ANYTHING OF SIGNIFICANCE ABOUT THE ANNUAL MEETING IN SANTIAGO. THIS IS LIKELY TO CHANGE AS THE MEETING APPROACHES AND THE COLOMBIAN DEL BECOMES PUBLICALLY KNOWN.
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